



Future Directions Newsletter 12

– August 2023

Welcome to our latest newsletter.

As before, we have put together a few articles that we hope you may find useful, as well as some internal news.

We hope that you are enjoying the summer, in spite of the recent variable weather and able to take time out to enjoy the outdoors.

From all at Future Directions



Article: Funding a decent retirement Income

Whenever you start thinking about retirement planning, it is worth beginning by working out how much income you will need. Generally, few people need as much income in retirement as they did when they were working; the mortgage might be paid off, children are likely to have left home, and your general day-to-day expenses may have fallen. Nevertheless, the anticipation of increased leisure time might spur you to make ambitious plans for travel or family, and all these expectations have to be considered if you are to set realistic targets. Once you have calculated how much money you will need in retirement, you can then work out where it will come from. For example, the flat-rate, single-tier basic state pension is £203.85 per week (for 2023/24), plus you may have money coming in from Individual Savings Accounts (ISAs), rental income from a second property, or even some paid employment. Having made your plans, you should have a clearer idea of the income you will need to generate from your pension savings. You might already have started to save through a workplace or personal pension scheme; however, although existing pension savings should be taken into account, it is likely you will need to continue to build them over your remaining working years. Just to give you an idea, a pension fund valued at £50,000 will typically buy a 65-year-old an annual level income of around £3,600, with no built-in guarantees. If you wish to retire earlier than that, the cost will be even higher. The amount you need to save could, therefore, be considerable. You can invest up to 100% of your annual earnings in your pension savings, subject to a maximum of £60,000 (for 2023/24) to qualify for tax relief on the contributions, however this can be reduced depending on your level of income. Your savings don't all have to be locked away in a pension plan. If you need – or would prefer – some flexibility over your access to your savings, Individual Savings Accounts (ISAs) can be a useful addition to your plans (subject to your personal tax position), and you can save up to £20,000 into an ISA during the current tax year.

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Director : Marc Carter

Article: Five facts about ISAs

- Tax-efficient: Individual Savings Accounts (ISAs) are tax-efficient savings vehicles that allow you to save and invest without having to pay income tax or capital gains tax. They can be a good way for people to start saving or to add to their existing portfolio of savings and investments.
- £20,000: The ISA allowance for the 2023/24 tax year is £20,000. Even if you can't afford to take advantage of the full annual ISA allowance, it is still worth putting away what you can via a regular savings plan, which can start from as little as £50 a month.
- Flexible: You can allocate your entire ISA allowance across cash, stocks and shares, or any combination of the two. You can also transfer your ISAs between providers whenever you wish, subject to your providers' rules.
- £687 billion in ISAs: the total market value of adult ISA holdings was £687 billion at the end of the 2020/21 tax year, according to HM Revenue & Customs. 12 million individuals subscribed a total of £72 billion to adult ISAs in that tax year.
- Use it or lose it: above all, don't forget one of the golden rules of ISA investing – if you don't use it, you'll lose it. You only get one ISA allowance for every tax year, so try to make the very most of your annual allowance if you can. Please note that levels and bases of, and reliefs from, taxation are subject to change

Article: Cash vs Investing

With interest rates on cash savings on the rise, and with investment markets having had a volatile 18 months in the light of rising inflation and rising interest rates, I have attached a separate pdf from Schroders which discusses, in detail, the historical trends of cash vs investing when you take the effects of inflation into account.

When equity and bond markets fall, cash can seem to be an excellent place to be. The short term is very much the place where 'cash is king' as savings in cash are not subject to short term falls in nominal value, unlike investments, which rise and fall on a daily basis.

However over the medium to long term, investments offer a greater degree of protection against the effects of inflation, which erodes the buying power of money over time. The Schroder article explains how, the longer you invest, the more this is true.

Part of a sensible overall investment strategy is to keep sufficient funds in cash for your short term needs, allowing you to put money which can be invested for the medium to long term, in a range of funds which are invested appropriately for this investment term.

Please do take the time to read the Schroder article attached, as it provides some useful historical data.

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The information contained within this newsletter is for guidance only and does not constitute advice which should be sought before taking any action or inaction.

The value of your investments can go down as well as up, so you could get back less than you invested. Past performance is not a reliable indicator of future performance.